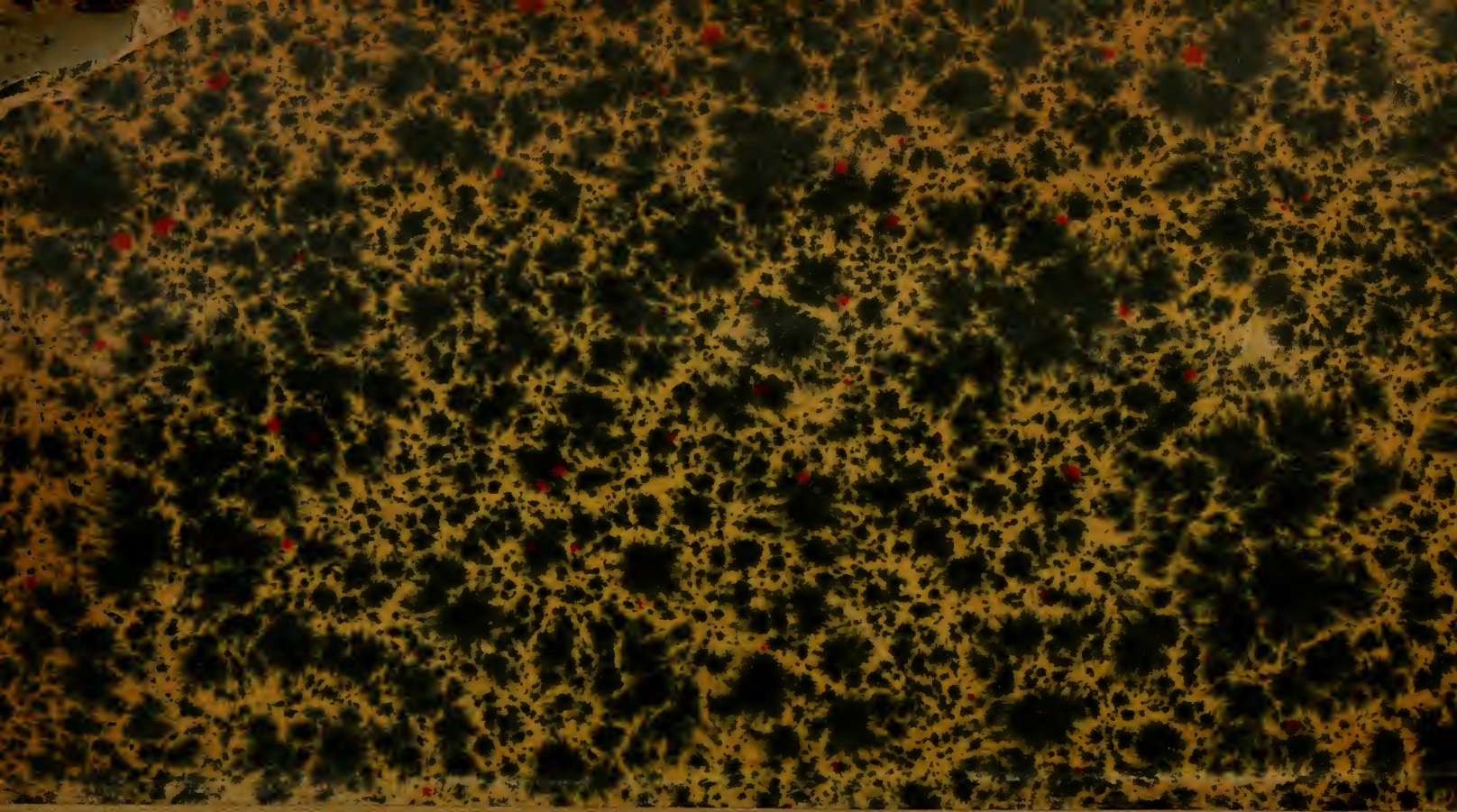

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MEN AND MANAGEMENT

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1922

PUBLIC LIBRARY
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T. F. MITTEN

WHAT IS THE MITTEN PLAN?

The Mitten Co-Operative Plan for adjusting the relations between employe and employer is based upon the fundamental principle that the successful running of a railway depends most upon the men who run it.

The plan recognizes the right of employes to bargain collectively upon all matters affecting their wages, working conditions and discipline. It provides uncontrolled election of wage workers' representatives of each branch group of employes, elected by and from among themselves by secret ballot. These, with an equal number of representatives appointed by the company, constitute:

FOR EMPLOYE	FOR EMPLOYER
1. Branch Committees	1. Branch Committees
2. Department Committees	2. Department Committees
3. General Committee	3. General Committee

The Branch Committees serve as lower courts where local points of difference are for the most part settled on the spot.

All Branch Committeemen in each department come together as the Department Committees. Differences not settled in Branch Committees, and departmental questions, are carried to the respective Department Committees, as a higher court, where, by across-the-table discussion, local branch differences of opinion are adjusted to the broader viewpoint of the department as a unit.

The General Committees, with equal representation from all Department Committees, serve as a superior court for undecided questions and for the review of appeals. Here the broader questions of administration affecting the interests of all are considered.

Final arbitration—the supreme court—if needed, is assured through an Arbitration Board wherein the men and the management are each directly represented, while the public, which always finally pays, is given the decisive voice.

By Charles W. Wood
Editorial Writer, New York World

The Facts at a Glance

When Thomas E. Mitten took charge of the Philadelphia Rapid Transit Company, in 1911, this is what he found:

The system broken down,
The cars and equipment obsolete,
The employees sullen and discontented, and
The company's credit so exhausted that it was impossible to meet a raise of one-half cent per hour which had been agreed upon in the settlement of a violent strike.

This is what he did:

He called the employees together,
He told them the whole truth,
He promised the men if they would stand behind him that they would continue to get the percentage of the company's gross earnings which they were then receiving, and
He organized the P. R. T. Co-operative Welfare Association, which seemed on the surface to be like any other "company union" but which effected an aggressive, working alliance of Men and Management.

And, 11 years, this is what happened:

Transit service was doubled,
The accident list was cut in two,
The whole system was re-equipped with cars,
Dividends began to be paid,
The wages of employees jumped from 23 cents an hour to 72½ cents (voluntarily reduced last year to 64 cents), and
When banking interests which had once brought the road to ruin called a halt, Men and Management dislodged the bankers from the Board of Directors, elected a board composed of managers and employees instead, and now guarantee 6 per cent. dividends to stockholders and promise a 10 per cent. salary dividend to all employees.

New York World
April 9, 1922

THE "MEN-MANAGEMENT UNION" WHICH REVIVED A WRECKED TRANSIT SYSTEM

By Charles W. Wood

LET me start with a prophecy. Take it or leave it, but I can't keep it back. United States history is going to be rewritten and the story of our country's growth, as our children will come to know it, will not be anything like the history we learned in school. Remember those "Ten Decisive Battles," for instance? They'll be mostly deleted and "Ten Decisive Inventions" will be listed instead. Or "Ten Decisive Ideas." And high on the list, if I am not a false prophet, will be the idea which attacked Philadelphia in the year of Our Lord 1911 under the leadership of "General" Thomas E. Mitten. The siege lasted eleven years. Last month Philadelphia capitulated. The victory was bloodless. The fight, in fact, was a fight against bloodshed. Mitten and his men have now won the absolute right to serve the City of Philadelphia for all that they are worth. They are now in undisputed control of the Philadelphia Rapid Transit Company—President Mitten and his 10,000 employees. Through a startling alliance of Men and Management they dislodged the banking interests which once held sway. They have their own Board of Directors, where workingmen from the railroad yards sit down with practical operating heads and think up new ways to help Philadelphia ride. And all Philadelphia, instead of "viewing with alarm," is cheering wildly, none more wildly than the stockholders of the P. R. T. Even church conferences are acclaiming the result. For they all know what has happened during the past eleven years.

Who—or what—is Thomas E. Mitten? I'm not going to tell you. You'll have to make up your mind for yourselves. Let me tell you, instead, of a conversation which occurred some months ago when members of a Public Service

Commission not a thousand miles from New York were discussing a peculiarly aggravated traction muddle.

"A MAN, NOT A SYSTEM"

"How about introducing the Mitten System?" some one asked.

"That isn't a system; that's a man," was the reply. "That guy can make anything work." The speaker had spent much time in Philadelphia and his word was supposed to be authoritative, and so it came about that the Mitten System was not considered.

I repeated this to Thomas E. Mitten a few weeks later. I took it for granted that he would be pleased, but he wasn't in the least. I soon discovered that he is somewhat tired of bouquets—especially of bouquets that miss the mark. He has either discovered something worth while, he says, or else he hasn't. If he has, other people can make use of the discovery. If he hasn't, it is all going to die with him and his life will not have amounted to much after all.

The Mitten discovery, as far as the public now comprehends it, is that rapid transit systems may be made to work. It is more than that, as I learned from talking with him, but it is upon that particular demonstration that his reputation depends. He made the system work in Philadelphia, and if there is any system on earth which had a more hopeless muddle than Philadelphia when he took charge of traction affairs eleven years ago, it has not been brought into the spotlight up to date.

In 1911 the Philadelphia Rapid Transit was a joke—to everybody who was lucky enough not to live in Philadelphia. To Philadelphians it was a tragedy. In investment circles it was generally listed as a wreck, and in labor circles as the limit. It was one of those systems which had been built up piecemeal through consolidation after consolidation. In the ancient history of Philadelphia every citizen's ambition was to get a franchise, and if he ever obtained sufficient political pull he got it. Then he organized a company, leased his franchise to the company on his own terms and got out from under. Eventually these franchises came

into the possession of the P. R. T., which inherited such a network of leases, for which good money had to be annually paid, that the stockholders of the big company seldom saw such a thing as a dividend. The result was that cars, crowded always to capacity, never seemed to pay and wages were kept at the lowest possible limit.

STRIKES AND TROUBLE

Of course there were strikes—strike after strike. The workers never could understand, it seems, why, with cars so overcrowded, the P. R. T. could not collect enough nickels to permit the payment of decent wages. Shortly before Mr. Mitten assumed control there had been a settlement but it hadn't seemed to settle anything very much. The maximum pay of conductors and motormen was 23 cents an hour, with a promise of ½ cent an hour increase on July 1 of each year until 1914, when the high rate for men in service over five years was to be 25 cents an hour.

But when Mr. Mitten took charge the financial condition of the system was so desperate that even this promise could not be kept. The $30,000,000 paid in by the stockholders had all been spent, together with all the money the management could secure by mortgages and other means. Eight years had passed without a dividend. There was a deficit of a million and a half. Three-fourths of the cars in use were antiquated and impossible. Accidents were increasing at an alarming rate. It will be conceded, I think, that the situation was about as unpromising as a new President could face, but here is what actually happened:

Uninterrupted service was maintained. Through some strange charm which the public did not immediately grasp, strikes ceased to happen. The antiquated cars were abolished and in seven years $16,000,000 was spent for new equipment. The number of passengers carried was almost doubled and the cost per passenger reduced. The accident list was cut in two. And dividends which had been vainly sought under the old system began miraculously to appear.

And how about wages? Before the war sent wages skyward the employees of the P. R. T. had received an increase amounting to 20 cents an hour—the greatest increase in wages obtained in any American city during this period. And all this without one cent increase in fare.

By 1920 the wages of the road men jumped to 72 1-2 cents an hour. What happened in 1921 is still more to the point. The men voluntarily agreed to a reduction that year, first to 65 and later to 64 cents an hour. The Mitten plan has not only worked it seems, but it is the sort of plan which 10,000 employees will stick to at a time when it is necessary to cut their pay.

The year 1921 passed. The men, with reduced pay, were as solidly behind Mitten as ever. They celebrated the tenth anniversary of his coming and the whole 10,000 personally signed a glowing tribute to the "Chief." No labor leader was ever greeted with greater devotion. It was one of the most remarkable assemblages in the history of modern industry. I scraped an acquaintance with Mr. Mitten at the time—but no, not one word for publication. He was thinking of something. What had happened was gratifying and all that. But there were things to be done. Big things. Great Generals hesitate to be interviewed on the eve of an attack.

SUPER-CO-OPERATION DIVIDEND

This year the secret came out. Mr. Mitten believed that such an achievement on the part of 10,000 workingmen should be rewarded. The men should discover a way to get more money, even if they had consented to a reduction in pay. Better yet, they should be given an opportunity for still greater achievement. Eventually he intimated as much to his men and proposed a plan whereby they might possibly work out a 10 per cent. raise in their income; not a raise in wages but a dividend for "super-co-operation." He carried the suggestion not to the Board of Directors but to the men themselves—at a mass meeting of the employees which filled the Ice Palace, the largest hall in Philadelphia, one night last January. The suggestion was that they should manage in various ways to cut

another million and a half from operating expenses this year, guaranteeing a 6 per cent. dividend to the stockholders and after that taking a 10 per cent. salary dividend for themselves.

That was too much for the Board of Directors. Five of them came out with a statement. Mr. Mitten had been hired, they intimated, to operate the road, not to inaugurate financial plans in mass meetings which it was strictly the business of the board to pass upon. Mitten, it seemed, had been given his walking papers, and Philadelphia, which had enjoyed eleven strikeless years on its rapid transit system, sat up to see what was going to happen.

What happened gave Philadelphia an eyeful. The annual meeting of the Philadelphia Rapid Transit Company occurred in March. The five directors were there. President Mitten was also present with an armful of proxies. He had gone over the heads of the directors to the stockholders of the company. Mitten nominated an entirely new board, and the nominations were backed up by such a mass of stock that the "bank crowd" didn't even name an opposition ticket.

Thirteen of the fifteen new directors of the company are men who are active in the practical operation of the road. One other is a financial backer of Mr. Mitten who has stood by him from the first, and the remaining one is the President of the Employees' Co-operative Welfare Association, who came to work as a laborer for the P. R. T. just eight years ago. He is now a yardmaster.

When the opposition of the directors to the Mitten plan became known this welfare association played a leading role. Through its eleven years it had accumulated a savings fund of $1,500,000, and the association was all for using this to purchase stock in the P. R. T. in order that their "Chief" might vote it when the expected contest came. Mitten himself vetoed the plan; that fund, he said, was for the individual employees and their dependents; but another fund of $250,000 was found available and was spent for the purpose. So carefully

did the employees engineer their buying that P. R. T. jumped only a single point.

This was the "Battle of Philadelphia," an utterly unique line-up in American industrial history. On one side were "Men and Management" considering themselves the same. On the other was the old idea of business—the idea that company policies are to be determined by the financial interests who have traditionally controlled invested capital. It was not a fight against capital. It was a fight to determine whether labor should hire capital or capital should hire labor. Labor has won. Not a mere paper victory in which the outcome is to be determined. It has already been determined, for "Men and Management" have been delivering the goods these eleven years.

WORKMEN ON THE BOARD

How did it all happen? What was the system? Or wasn't it a system and was it just a man? If Thomas E. Mitten should die would the P. R. T. again go on the rocks? Those questions were uppermost in my mind when I finally succeeded in inducing Mr. Mitten to talk.

"I am not a genius," he told me. "Yes, I am proud of Philadelphia, but I must confess that I didn't do it. I helped, I hope, but the only big thing I did was to make a discovery—a discovery which a good many people have made before me but which has not generally been applied to the rapid transit game. I discovered that 10,000 men could do much more than a dozen, especially if the 10,000 were on the job while the dozen were not. The best Board of Directors on earth cannot run a railroad. The only way a railroad can be run is through co-operation."

Mr. Mitten, as I said, is not given to publicity. Being in the public eye is no treat to him, but on my promise that I would write about co-operation and not merely about Mitten we sat down and talked it out.

"How in the world," I asked, "did you ever succeed in starting co-operation in Philadelphia?" It struck me that a gang of men who had fought for years for a half-cent increase in

pay, only to find that they couldn't get the half-cent after all, would be in no mood to co-operate.

"There was nothing else to do," he said. "If there had been any money, we would have given it to them. But the road was broke and we had to do the best we could. So I told the men the whole situation. I explained that it was either a case of keeping the cars going or of letting them stop. I admitted that the wages were rotten, and they certainly were, but I didn't see how we could make them any better until we got some money. It was impossible I explained, to get any more money from investors; they had been stung to the limit. The only chance, it seemed, was to get more nickels from the public, and we couldn't get them unless we stuck to the cars."

"And the men believed you?" I asked.

HOW WAGES INCREASED

"I don't know," he said, "but I stated the case as plainly as I could. Of course, I gave them all the assurances there were to give. The conductors and motormen, we had figured, were getting 22 cents out of every dollar earned by the system. I promised them that whatever happened they would continue to get that 22 per cent. As the months went on we kept that promise, and instead of getting 25 cents an hour, as they would have got under the strike settlement terms, they were by 1918 getting 43. Of course we couldn't expect the men to co-operate with us unless we were willing to co-operate with them; but when we made co-operation possible there was little more trouble. The co-operative plan remained intact until the war broke out and the War Labor Board made new adjustments. Then the plan was broadened and perfected, but the underlying principles remain the same."

These fundamental principles, according to Mr. Mitten, are: First, that the primary purpose of a public service corporation is to give public service, and without such service none but thieves can benefit. Second, that the successful running of a railroad depends most upon the men who run the railroad, and these human beings are of more im-

portance than dividends. Third, capital cannot get an adequate return for its investment, it cannot, in fact, get any return unless these principles are observed. Financiers may and sometimes do get rich by other methods, just as burglars may run away with your silverware, but what they get in that case is not dividends but swag.

Mr. Mitten has been criticised for years for proclaiming these principles, or, if not for proclaiming them, for actually putting them in force. He has even been called a financial Bolshevik. He is not a Bolshevik. He believes in capitalism through and through. But he believes that capitalism must deal with the future and that too many capitalists are looking upon the world as though it were already a finished performance.

BELIEVES IN CAPITALISM

"It isn't capitalism to hold up a community," he said, "and if hold-up methods are defended on the claim that they are capitalistic, real capitalism is sure to suffer for it. The genuine capitalist is the man who has faith in an enterprise which has not yet demonstrated its worth and backs that enterprise with money whose loss would be a real loss to him. Such a man is entitled not only to a return on his investment but to a big return, and it is to the interest of all concerned that he get that return in case the enterprise does justify the risk. Take James J. Hill, for example. His imagination, his faith, conquered the wilderness, made it yield up its wealth for human benefit; he earned every dollar that he got, and the community was richer for every dollar that he earned.

"Contrast that situation with the rapid transit situation in any number of cities that might be mentioned. There is no question as to whether the service is in demand. There is no question as to the ability of the community to pay for it. There is no question even as to rates being sufficiently high, since the principle of fares being made sufficient to pay adequate returns on capital has been incorporated into our State laws. And yet Boards of Directors

will sit around a table, men in many instances who have done nothing toward building up the systems and who would not know how to run a single car, and talk of the same percentage of return upon their investments which such men as James J. Hill so justly received.

"Street-railroading in crowded cities should still offer big returns, for there is no end of big things that remain to be done before the ideal of public service may be realized. But there is one thing which all true capitalists will keep in mind. That is that those returns must and will go to the men who do big things, and the men who must be counted on to do the big things in these particular enterprises are not the men who sit on boards but the men who actually run the road.

"There is no denial of property rights in this. It is a mere recognition of human rights, without which no property rights can be maintained. No individual can run one of these corporations to-day. His success depends entirely upon the degree of co-operation he receives from every employee of the system. In Philadelphia the men did co-operate and that is the whole story. They pinned their faith to a broken down road and set out to make it pay. Every man who did that was in the best sense of the word a capitalist, and it is to such capitalists that the future rewards of industry more and more must go."

WORKERS VITAL FACTORS

Furthermore, Mr. Mitten maintained, such a system does away with any war between capital and labor. Again he cited Philadelphia as an example. Just as the necessity of paying good wages had been explained to the stockholders, the right of the stockholders to a decent return upon their investment was impressed upon the men. The men themselves realized by this time that capital was necessary and that capital could not be attracted except through dividends any more than labor could be recruited if wages were to stop.

"If that is Bolshevism," said Mr. Mitten, "we need a lot more of it. Of course it isn't anything of the sort. It is simply a recognition all around that wealth comes

from industry and not from hold-up schemes. The worker who thinks he can get rich out of his employer through withholding service is a fool. But he is not any bigger fool than is the employer who thinks he can achieve prosperity through keeping the workingman down."

There is a sort of "harmony" between capital and labor to which Mr. Mitten violently dissents. It is the system which consists of each harmoniously taking all there is and passing the costs on to the public. Raise the pay, then raise the fare. Pay any old price for any new scheme, then raise the fare again. If management gets slack, just boost the price sufficient to cover up the loss. And if the men lay down and refuse to do honest work, boost that price some more.

There are two fatal defects, said Mr. Mitten, in such a scheme as this. In the first place it can't work very long, and the longer it does work the more everybody loses. Getting something for nothing, he said, is not industry but theft. It is not only a dead loss to the rightful owners but to the thief as well. He loses all that is worth while in life, for joy comes from doing things, not from getting paid for what one has not done.

GOES TO WORK AT 4 A. M.

I promised not to talk about Mr. Mitten, that is, "any more than necessary." I feel that it is necessary, however, to state my impression that Thomas E. Mitten is an authority on some things besides street-railroading. When he speaks of what brings happiness he knows what he is talking about, for he is having just a little more fun than any other industrial magnate I ever happened to meet. Work is not drudgery to such a man, and I am sure he does not work out of any sense of duty. But he can't help working, and he gets to work eagerly at 4 each morning. Work is his play. Railroading is his great outdoor sport. He has none of the airs of the "conscientious" toiler and reminds you less of an office hack than of Babe Ruth trotting home.

I do not mean that he is anything like Babe in physique, philosophy or literary style. But he makes home runs not because a home run is a dreadful necessity but because he can. He gets honors, he gets money and he gets applause, and possibly, like Babe, none of these things irritate him very much. But they at best are only measures of achievement; to the real sport the achievement is the thing.

Just one more personal remark concerning Mr. Mitten—privileged, I claim, since it has a lot to do with his industrial discoveries. He is rich. He has been rich for a long time, but he will never be any richer than he is to-day. He owns exactly $2,000,000. He accumulated it when he was a young man, and he decided then that that was enough. The decision still holds. He is not old yet by many years, but the decision was made long enough ago to be recognized as permanent. Personally his life is organized to give rather than to get. Every year he has a settlement with himself and every dollar above $2,000,000 leaves Mitten's hands. Where it goes is not a matter of public record. He does not give to organized charity; not because he is opposed to it but because there are others to attend to that. Also, he makes it a point not to help any one who is not helping himself. He says, in fact, that it can't be done and that any attempt to give such help amounts to physical and spiritual pauperization.

CALLED LABOR LEADER

Mr. Mitten thinks of his men as capitalists. They in turn refer to him as a labor leader, and that is one bouquet which he positively likes.

"It is all ridiculous," he said, "to make distinctions between management and men as though they were two distinct groups. Every manager must be a man and every man must be a manager—an organizer to the best of his ability of all the powers at his command. A merely obedient group is next to useless. Following orders, unthinkingly and irresponsibly, does not produce loyalty; it produces contempt. The orders that grow out of co-operation, however, will be more than obeyed—they will be

respected, and each co-operator will bring to them all the resources he can muster.

"That 10,000 men can do more than one should not be hard to prove, but managers are always forgetting it. In Philadelphia, for instance, during the war a car conductor gave us one of the best tips we had, and it was the sort of tip that a Superintendent would be certain not to think of. The War Administration had put on a large number of cars to accommodate the workers in the war industries district. Our cars were light. These special cars, very suitable for the hard work demanded of them, were extra heavy. They were crowded to the limit during the week, but the district was practically deserted on Saturday and Sunday. The service was reduced on these days as far as practicable, but even then the cars ran almost empty.

"Why not put all these heavy cars away on Saturday and Sunday?" this conductor asked, "and why not substitute light cars from one of the other divisions?" And with the suggestion he turned in a memorandum in which he figured that the saving in power would amount to $42,000 a year. We tried it out and discovered that the boy's figures were exactly right. Here we had been losing $42,000 a year in a way which no Superintendent would ever have noticed. To the Superintendent mind, you know, the equipment of a division is the property of that division; but the conductor wasn't working for the division—he was working for the road."

Under the Mitten management the P. R. T. agrees not to discriminate in any way against any labor organization. Mr. Mitten assured me that the company not only kept the promise but was in the heartiest sympathy with it. He doesn't like the labor union tactics, he told me, but he was not so inclined to blame the unions for these as to blame the accepted theories of industrial organization. Too often industry had been organized in such a way that there was nothing for the workers to do except to defend themselves. But wars of defense are still wars, he said, and there is nothing constructive in them.

"In any given mass of men," he said, "there will always be some who show a special talent

for leadership; and among these leaders you will generally find two groups. One will consist of the studious, the patient, the constructive; under ordinarily decent conditions they will find promotion and become superintendents or managers. The other group will be the impatient, the resentful—those who are either naturally destructive or whose constructive capacities have been turned to destructive ends through unfortunate experiences: they will become disturbers, agitators, those who are falsely known as labor leaders.

HUMANIZED INDUSTRY

Which group will win out depends upon the degree to which the industry is humanized. It is futile, however, to expect constructive action from groups, either of capital or labor, who have been long organized on a war basis. To overcome the suspicion which our old practices have engendered is the hardest task of an industrial organizer to-day.

"Don't imagine that I am entirely free from labor troubles," he added. "We have been having trouble in Buffalo for some time past. It would be easy to crush the union, of course, in times of unemployment like the present, but crushing is not a particularly human pastime; besides, it too often fails to settle anything."

"But in Philadelphia everything is all right?" I asked.

"I wouldn't put it that way," he said. "In Philadelphia things are going beautifully, but don't think for a minute that we intend to stop where we are and settle down to the dull routine of preserving the status quo. We should advance at least as far in the next decade as we have in the last."

"In what way?" I asked. The leap from bankruptcy and despair to the present degree of co-operation seemed to me some leap. What sort of celebration would Philadelphia be having in 1931?

OLD IDEA NOW A NIGHTMARE

"Industry ought to mean pure joy for everybody concerned," said Mr. Mitten. "With ten thousand creators on the job—

well, I can't say what will be created, but I know it will be something beautiful. And I know it will be human and intimate and kind. Does this sound like a dream? I don't think it is. It seems to me, rather, that those who have looked upon our industrial system as inevitably ruthless and cruel, as a great iron monster which is doomed to go on forever crushing human bodies and souls and grinding out mere dollars in their place—it seems to me that these fellows, no matter how big a majority they may constitute to-day, are simply indulging in a nightmare."

Is Mitten management a system or is it just a man?—for the question was not permanently decided by that Public Service Commission. Unquestionably he has the human touch, and one cannot read the story of traction doings in Philadelphia to-day without noticing the personal note all through. But are not other employers as personally kind as he? And don't they almost cry with real agony for souls gone wrong when their loved employees go on strike? What is the difference? I talked it over with a very benevolent employer of the latter type to see if he could give me any light.

"Mitten's theories are beautiful," said he, "and he makes them work. But they can't apply to ordinary cases. First thing you know the men will be wanting to run the whole establishment."

I carried this criticism back to Mr. Mitten.

"That wouldn't be so bad," he said, "if the men knew how. The object of public service corporations, as I see it, is to serve the public—the more people who learn how to serve the public and the more who are ready to co-operate in the task, the better it will be for all concerned."

"But might not the men outgrow the necessity for bosses?" I asked. "Might they not eventually become so interested in their achievement, so thoroughly competent and so generally ready to accept responsibilities and to meet them, that there would be no further use for an employing class?"

"THAT WOULDN'T BE SO BAD," he replied.

Brooklyn Eagle
March 19, 1922

INDUSTRY'S BIGGEST EXPERIMENT NOW ON IN PHILADELPHIA

Management Takes Control From Capital as Mitten Makes Employee Director of Road

(*Special to The Eagle.*)

PHILADELPHIA, March 18—Industry is centering its interest on Philadelphia as the result of Thomas E. Mitten's dethronement of the financial obligarchy that has for years controlled the public service corporations of Philadelphia. Mitten, a street railway manager of years experience in other cities, was brought here eleven years ago by the financial interests who controlled the Philadelphia Rapid Transit Company to rehabilitate its lines and finances.

Today he stands in complete financial and operating control of the company, as a result of his alliance with its employees. His victory was consummated this week when a ticket of directors picked by him was elected by so overwhelming a vote of stockholders that the banking interests who had manipulated the destinies of the P. R. T. refused even to nominate a ticket against him.

But while industry centers its vision of the Mitten experiment, it is with various views Capital shudders. Labor sees hope for the future. Management sees itself at last recognized as the dominant force in business, no longer subservient to capital in the shape of bankers' control. For every man of the thirteen directors, except two, is an officer of the company, active in its management and operation, and of the other two, one represents the employees, and is a lowly yardman in its employ, while the last is a man of wealth, but picked because he is a friend of Mitten's and supporter of the Mitten ideas.

Mitten has brought into industry a brand new idea. For years capital has held firmly to its divine right to employ labor and management, and has been able to impress its system on the industrial world. As a protest against this there have developed from time to time co-operative schemes of labor, but each has failed for lack of capital and of management. Labor has never

been able to hire capital and management, or has never chosen to do so. The latest great example is in the breakdown of the Soviet industrial experiment in Russia.

But now comes management and calmly takes over control from capital, announcing that henceforth it will hire its capital with the assurance of a 6 percent return and will hire labor, pledging an additional dividend to labor of not to exceed 10 percent on its gross wage. And labor, loyal to the new plan, in turn takes its savings and turns them over to management to help it dominate the interests of capital previously in control. It is truly an industrial revolution.

MITTEN MADE DICTATOR

Eleven years ago the street car systems of Philadelphia were disorganized, their road beds streaks of rust, their rolling stock battered, their finances chaotic and their relations with their employees a constant warfare of strikes and deadlocks. Mitten, who had handled similar situations in Chicago, Buffalo and other cities, was brought here to save the lines. The salary offered attracted him, but he would not come unless guaranteed an absolute free hand in handling the problems of the company. He was to be dictator, his directors must approve his decisions. There could be no interference. Capital, fearful of ultimate wreck, accepted.

The problem of rehabilitation was solved. Service was improved. The condition of the men was improved. Finances were improved so much so that Mitten pledges the payment of the full dividends on the stock of the subsidiary companies this year and a dividend or bonus to the employees. But Mitten was the boss. He didn't consult with capital, which had hired him, about the policies of the company, and capital got sore. The Stotesbury interests decided it was time to scrap Mitten just as he had their antiquated street cars and methods, and they notified him to get out.

Now if there's one thing this man Mitten isn't it's a get-out-er. So he got in. He walked right into the prettiest kind of a fight for control of the company, appealing right over the heads

of the banking interests who had hired him, directly to the stockholders of the company for proxies to elect his own board of directors. And right after him came the employees of the company, shouting. It was a Waterloo. The Mitten ticket was elected by the vote of 576,000 of the 600,000 shares outstanding. The five old directors, who represented the Stotesbury crowd, found themselves scrapped, junked and thrown off the right of way.

When the fight started, the employees of the company, who had $1,500,000 in their savings fund, wanted to use it to back the "Big Fellow." The rules of their association said that the money should only be used in the interest of the individual employee by whom it is deposited each week, or of their families.

It provides pensions, disability payments, death benefits, etc. And Mitten refused. But the men would not be balked and the 10,000 of them individually signed a petition authorizing the trustees to buy 10,000 shares of P. R. T. to vote for the Mitten board. Then they authorized the purchase of a second block.

LABORER MADE DIRECTOR

"That's what we think of P. R. T. and Tom Mitten," they said. "With him running the company its stock is a good investment and our jobs are good investments and we're going to back all three—Mitten, the stock and our jobs."

When the Mitten directors meet, with them and as one of them will sit John McElroy, who went to work for the company eight years ago as a laborer and is now a yardmaster. He is president of the Employees Co-operative Welfare Association. He's just a husky, hard-working, loyal, common man, who is on the job as long as the job needs him and then is home with the wife and their eight children in their little house. The day after his election to the seat where millionaires have preceded him he was back on the job in his jumpers, with his face showing a streak of grease above the smile, and a word of encouragement to the men under him.

McElroy was a breaker boy in the mines near Minersville, Pa., when he was 13. At 16 he was elected to a clerkship in the miners' union.

When he was married he couldn't do problems in arithmetic, but his wife taught him.

The tremendous loyalty of McElroy and the other workers of the P. R. T. to Mitten sets the P. R. T. off from every other street car company in the country. Mitten believes that the men should share in the profits of the company's operation after Capital has received its hire. Not only must the men get square deals from their bosses and the company, but they must be made a part of the company. His operating policy provides for economies that many companies could not secure, but the men co-operate to make the economies possible because they themselves share in the profits derived from them.

In January of this year Mitten asked the men to assist in reducing the operating costs of the lines $1,500,000 this year, without impairing service. This they pledged themselves to do. From this comes their bonus, or co-operative dividend as they call it.

The P. R. T. is an operating company, and its heaviest burden is the payment of the millions on outstanding securities of the subsidiary companies, which it has guaranteed as rentals. Much of this is on watered stock of companies floated and lines built years ago in the good old golden days of street car construction and stock watering. The leases to the P. R. T. were engineered by the old banking crowd in control of it and the subsidiary lines, but they are an obligation and Mitten is meeting their terms.

Next there is $1,800,000 a year of dividends on P. R. T. stock to be met. This puts the stock on a 6 percent basis. Then comes the co-operative dividend to the men, not to exceed 10 percent of their annual wage. By agreement with the men, their wage scale is fixed at an average of the wages paid similar work in Chicago, Cleveland, Buffalo and Detroit, all cities where the street car employees are unionized.

Agreement of the men to Mitten's proposal for economies to guarantee the co-operative dividend virtually makes the stock of the P. R. T. a preferred stock guaranteed by the employees of the company. But more important than that, it means a guaranteed efficient service to Philadelphia.

The Outlook
April 12, 1922

A NEW GOLDEN AGE IN PHILADELPHIA

Common Sense Smoothes Out The Relations Between Stockholders, Employers, Employed, And The Public

Special Correspondence By Sherman Rogers
Industrial Correspondent of the Outlook

IN 1910 the Philadelphia Rapid Transit System was in as bad a condition financially and with regard to labor as any street railway system in America. It couldn't have been worse. If it could have been, management and men would certainly have made it so; they did the worst they knew how, under the circumstances. The entire system was hopelessly involved in politics and labor chaos, and steeped in a long painful history of disastrous financing, with an indebtedness represented by stocks, bonds, and notes that caused the most optimistic financier to knit his brow and say, "Hopelessly involved."

1922. Same transportation system. Road considered in the best financial condition of any surface line in America; the labor situation excellent; the employees, without question, the most efficient, effective, and loyal of any surface line's in America. In these twelve years of labor and economic difficulties the system has reached the point of perfection that municipal experts have been dreaming about.

"Overdrawn? Not a bit."

I asked a Philadelphia conductor a few days ago if I was safe in making the statement that ninety-nine percent of the workmen on the system were loyal to the management and loyal to the public. He looked at me a moment and then replied: "Ninety-nine percent is dead safe. In my opinion, you can make that one hundred percent without being considered an enthusiast or a guesser. In the first place, if a man on this system is not satisfied, we either tell him the methods we work under or we make it so uncomfortable for him that he will leave of his own accord. We have everything, from a standpoint of co-operation of the management, good will of the management, and democratic government on the system, that any man in the world could wish for, and a great deal more than a vast majority of workmen in the world have."

The P. R. T. story of the last twenty years reads like a most highly colored stretch of the imagination. No man can read the facts about the P. R. T. system of management and fully appreciate what has happened unless he has talked to both the management and men; unless he has scrutinized the records from 1900 to 1911, and then turned over the last leaf of failure, of chaos, of scandal, and started reading the history of the system from 1911 to 1922, where every move, every record, bespeaks highly efficient organization, unbelievable loyalty, marvelous co-operation and achievement. The new management believes in men; has believed in them from the day it took office. Natural result: The men soon felt confidence in the management. Simply a case of the management reaping what it had sown. Sow wheat and you get wheat; sow thistles and you reap thistles; sow good will and you will get good will; sow confidence and you will reap confidence.

MR. MITTEN TAKES CONTROL

Thomas E. Mitten, a remarkable leader of men is chiefly responsible. He took the job when every one smiled. They smiled because they could not conceive that any man with common sense and ability would take hold of such a hopelessly mired institution. However, it did not seem a big job to Mr. Mitten. One man, of course, could not succeed—but *ten thousand* **AND ONE** *men* could do it quite readily. Mr. Mitten figured from the outset that there would be ten thousand men operating the P. R. T. instead of one. Ten thousand co-operators; co-operating with one leader.

Newspaper critics have termed the Mitten management of the P. R. T. "one-man management." Such a statement is absurd. It is one-man leadership. A leadership that is demanded by ten thousand owners and stockholders. The new signs on the P. R. T. surface cars read: "This car is run by P. R. T. stockholders, co-operating with Mitten management." That little statement tells most of the story.

I asked a motorman if Mr. Mitten was a super-man. He laughed outright. "Certainly not. Mr. Mitten is just an ordinary man with

extraordinary common sense. That's all. A natural born leader, probably, but a leader simply because he realized that he could *lead* a man through fire but could not *drive* him anywhere. Wanting one hundred percent efficiency and co-operation, he refused to become despotic or arrogant over a certain badge of authority he carried, but led and was able to lead because of his absolute fairness and thorough knowledge of the feelings, sentiments, ambitions, and ideals of every man on the pay-roll of the company he *led*."

Mr. Mitten did not gain the confidence of ten thousand employees in a day, a week, a month, or a year. He realized that he would not before he started. He realized that co-operation and confidence could be gained only through constant personal contact, and he also recognized the fact that confidence established through personal contact could be maintained only by always carrying out to the letter every promise he made. That he has done.

Going to the Quaker City in a smoking-car, a broker from Boston, who apparently was identified with public utility interests in the Bay State metropolis, asked me if it was not true that Mr. Mitten personally spent most of his time in overalls, running street cars, collecting fares, and spiking rails to make a "good fellow" of himself. It was my turn to laugh. Why not? This was really a good joke. Mr. Mitten *keeps* his place. There is not a paternalistic hair in his head. In fact, the first thought registered when shaking hands with Mr. Mitten is that he is an aristocrat. However, that impression is not correct. He simply believes in men, and lets them know it. He co-operates with men—on a 50-50 basis instead of a 95-5 basis. He seeks their collective advice, weighs it carefully, and places on the shoulders of each man employed by the company responsibility that he cannot shirk. It is this responsibility that has made fighting men out of P. R. T. employees—fighting men in a sense that they are willing to shoulder responsibility.

Mr. E. T. Stotesbury, a Philadelphia financier, also played a leading part. When the road became hopelessly involved in 1911, Mr. Stotesbury was requested to accept the thankless job

of reorganizing both the finances of the surface line and its management. He picked Mr. Mitten and placed him in charge as his representative. Mr. Stotesbury accepted the tremendous responsibilities involved without a dollar of salary.

The original thirty million dollars put up by stockholders had practically dropped out of sight. Both Mr. Stotesbury and Mr. Mitten were big enough to realize that workmen must be paid an adequate wage and the public given efficient service before the stockholders could be taken into account. But, like magic, order emerged. In the first seven years the stockholders received over three million dollars—a mere fraction of what they should have received, but much more than they ever expected.

Mitten, from the time he took office, started co-operating with the men. He wanted the employees to know all about the company. He believed that if they were thoroughly acquainted with conditions they would all help assume the responsibility for the restoration of a practically bankrupt system. The company agreed to give the men in wages twenty-two cents out of every dollar received on the system. This plan worked out very fairly to all concerned. When the war started, this method was changed and a four-city average instituted. The average wage paid in Detroit, Buffalo, Cleveland, and Philadelphia was the standard equation arrived at. However, in May, 1920, when wages were increased on the lines of the Western cities, it naturally meant that wages of the Philadelphia transit system would be raised accordingly. The management found, however, that the company was unable to pay this increased wage and maintain traffic on a five-cent-fare basis. It had no alternative but to ask the men to bear with it until such time as they were able to pay the increased wage, retroactive, of course, to the date of award.

There was a great deal of disagreement in the Quaker City over the five-cent fare. The Mitten management and the employees desired to maintain the five-cent fare. An increased fare meant more money for the workers; it meant back pay; but they threw in their "lot" with the management and agreed to forego wage increases.

EMPLOYEES OFFER FINANCIAL AID

This brought on a crisis in the city. It looked for a time as if the company would not be able to finance itself. Here labor demonstrated what it is capable of doing when co-operating with the management. They went to Mr. Mitten and said:

"We want to see you through. You were far-sighted enough to make provision for all employees to save a certain amount of money in a general savings fund. This at the present time amounts to over a million dollars. You can have it without interest."

Mr. Mitten, naturally, refused the offer, but it demonstrated the extreme loyalty that had been created in the co-operative, equal-representation plan.

In the early part of the war agitators with axes to grind called a strike, but these agitators quickly learned what co-operative management meant. They were unable to tie up service for even a day, even though the lines were taxed to capacity on account of the increased service due to war industries. The War Labor Board sent an investigator, who reported that the system was working successfully and that there was no necessity of changing the system for any other class of labor organization.

From that time on the company has more firmly established itself financially. Sixteen million dollars' worth of new equipment has been added, and Philadelphia has enjoyed street-car service that the public had not dreamed of before. The co-operative plan broadened; all matters pertaining to the workmen themselves were, as a rule, handled by the workmen; they solved their own difficulties, and in practically every case wisely. This eliminated ill feeling and suspicion. Jealous of their responsibilities, they proceeded cautiously, although with collective enthusiasm.

LABOR'S AMAZING NEW TACTICS

There has always been a great deal of scandal in Philadelphia over the manner in which the road had been financed. There is no doubt but that millions of dollars were invested for which there were no tangible assets. But investors had

put in their money in good faith, and the ten thousand employees of the system decided that every one who had invested should get his money. They also agreed that before they received any direct benefits it was necessary that they shoulder these obligations in total; that these stockholders and investors should be taken care of first. If there was any extra money after that, they would get theirs.

This, again, was something new in the labor world. Here were men not only willing to give all that was in them for obligations that were legal, but also perfectly satisfied to take care of every moral obligation. As 1921 drew to a close it became certain that the road had finally, by efficient, co-operative management, established itself in a position where P. R. T. bonds are as good as any bond in the country, and the management has announced that 6 percent interest will be paid this year to the stockholders.

In the meantime the employees and the management have established insurance and pension funds which are taken care of within the organization.

The men wanted to become stockholders; they desired more than a wage interest in the affairs of the company; and had $250,000 in various Government bonds in their treasury. They declared P. R. T. bonds as good as any on earth, and purchased $250,000 of stock—which made every employee a stockholder. Now the road is being run entirely by employee-stockholders as well as management and stockholders.

During the interim some of the directors had become dissatisfied with the co-operative management and openly declared that they would oust the Mitten management. But the people of Philadelphia fully realized that this same Mitten management, in co-operation with ten thousand men, had pulled the P. R. T. out of its hopeless state and placed it on a stable, efficient basis, and they did not want a change. The men backed the management to the limit. The authority to purchase the $250,000 worth of stock had been signed by every employee of the system, and as a unit they gave their proxy to the Mitten management. Here again was something new in American industrial history. The employee stockholders, voting as a unit, controlled more

stock than any other single holder. As a result, one of the employees, Mr. John W. McElroy, was elected a director.

There has been a great deal of comment, pro and con, regarding the employee-director. There was nothing strange about it at all. One of the motormen said to me: "We have $250,000 in stock *en bloc* in this company. Why shouldn't we be represented?" The employees now have a double interest—as employees enthusiastically working for the city and their management, and, at the same time, for their own interest, for the simple reason that they cannot receive reasonable dividends unless they produce this result themselves.

The election that was to decide whether the Mitten management was to remain in the saddle or not attracted Nation-wide attention. Again co-operation counted. The management received the enthusiastic support of a vast majority of the stock voted. Co-operative management had not only built up an enthusiastic team-work between management and men, but between management, men, and the entire Philadelphia public.

I have been asked in the last two weeks by nearly every one I have met: "What kind of a system have they got down there, anyway?"

The collective-bargaining plan of the P. R. T. calls for proper committee organization divided into classes or departments, and each department is divided into contact groups or branches. The procedure of any grievance is through the local branch committees in the locality where a question arises. If not settled, it then goes to the department committees; next to the General Committee; and, as a last resort, to a final board of arbitration. Quite naturally, most questions are settled in the branch and department committees, which are composed of an equal number of employee and employer representatives. Elections for committeemen are by secret ballot.

The more or less complicated question that finally goes before the General Committee is thrashed out in an assembly-room where ten representatives of the employees and ten representatives of the employers are seated before two chairmen. The employers take one side of the

room and the employees the other. Questions are thrashed out thoroughly on either side of the house without interruption of the other, thereby eliminating chances of acrimonious personalities or filibusters. However, in case that a deadlock is reached and this General Committee agree that they cannot agree, the final arbitration guarantees impartial justice. If a resort to final arbitration becomes necessary, the employees' and the employers' committees each select an arbiter, and these two arbiters in turn select the third. If, however, the two chosen arbiters are unable to decide on a third party, the public takes a hand; that is, the third arbiter is not chosen, but in his place the Provost of the University of Pennsylvania, the Chairman of the Public Service Commission, and the President of the Chamber of Commerce are requested to serve as additional arbiters, and a majority decision of these five arbiters shall be final and binding on both parties.

Many workers on the P. R. T. hail Mr. Mitten as their "Big Chief" and ascribe all credit for the success of their plans to him alone. Personally, I am inclined to distribute the credit on a 50-50 basis, which is the same basis used in arriving at the results achieved. There is no mysterious method of deduction necessary to be followed in order to get this result; simply an unwavering application of 50 plus 50, and not 95 plus 5. On the part of the management it is the ability of the executives to sell their personality to the workers, making the workmen believe in their integrity and sincere desire to give them a square deal. The reaction on the men is a square deal to the management, in return.

WHY THOMAS E. MITTEN SUCCEEDS IN PHILADELPHIA

Responsible Employees, Who Were Never "Double-Crossed," Insure Fair Return to Stockholders of Street Car Company in That City

By Edward A. Muschamp

FROM every corner of the United States inquiries are pouring into Philadelphia—more specifically, into the office of the Philadelphia Rapid Transit Company; more specifically still, into the office of Thomas E. Mitten, president of the Philadelphia traction company. Briefly, all these inquiries may be summed up in this one question:

"How have you won the extraordinary loyalty of your 10,000 employees?"

Make no mistake about it, the loyalty that this army of workers has developed for the company and its president is extraordinary—almost without precedent in the business and industrial world.

There is food for no end of thought and material for the most searching study in the achievements that have been made possible through the cordial and co-operative relations that have developed in Philadelphia between employer and employee under what has become known as "Mitten's Men and Management Plan." With anything but harmonious relations existing between employer and employee all over the United States, every executive, regardless of the kind or size of his business, may well turn his eyes toward Philadelphia and profit by a knowledge of what Thomas E. Mitten, working in co-operation with his employees, has accomplished.

In order that these accomplishments may be fully appreciated, it is necessary to sketch briefly the background of the events of the last ten years.

But before getting too deep into the story, readers of **Printers' Ink** will be especially interested to learn that Thomas E. Mitten has made advertising a potent factor in his achievements

and battles. He is entirely cognizant of the keen interest that the public has in every public service corporation and he never misses an opportunity to tell his story or to carry his fight to the public through paid advertising. Hardly a month has passed in the last year or two that the Philadelphia newspapers have not carried full and half-page advertisements dealing with Mitten's plans for solving the traction problems of the city. He is constantly using car-card space in his own cars to talk to the riding public about some current traction issue.

Now for the background, which is essential to an understanding of the achievement.

The traction system in Philadelphia is operated by the Philadelphia Rapid Transit Company. This company was organized in 1902. Franchises and rights of way for the operation of trolley service in Philadelphia are held by a number of underlying companies. For the privilege of operating cars over the streets of Philadelphia, the Philadelphia Rapid Transit Company is under a long-term agreement with these underlying companies to pay them millions of dollars annually in rentals.

CAPITAL STOCK HAD BEEN ALL SPENT

Between the organization of the Philadelphia Rapid Transit Company in 1902 and 1911, when Thomas E. Mitten was called to Philadelphia, the $30,000,000 capital stock paid in full by the stockholders of the Philadelphia Rapid Transit Company had been entirely spent and the company was approaching bankruptcy. Stockholders in the Rapid Transit Company had never received a penny in dividends on their $30,000,000 investment. The 10,000 employees, poorly paid, and working under hard and provoking conditions, had been on strike twice within a year. These strikes had been accompanied by wild disorder in which men were killed, participants and innocent by-standers hurt, thousands of dollars' worth of damage done to property, and the city at large subjected to no end of general inconvenience and suffering.

In a word, the traction situation in Philadelphia in 1911 was generally conceded to be hope-

less. Public, stockholders and employees were disgusted with everybody and everything. Then came Mitten to Philadelphia.

The first thing he did was to promulgate these three basic principles of his Men and Management Plan—principles that he has continued to reiterate at every opportunity:

1st—Efficient service to the public.

2nd—Payment of adequate wages.

3rd—Proper protection of invested capital.

EMPLOYEES LEARN THRIFT AND BUY COMPANY'S STOCK

Now, consider the situation in Philadelphia in 1922.

The 10,000 employees of the traction company, practically to a man, are working heart, soul and body with Mitten and the company. A few weeks ago, these employees, through the funds of their Co-operative Welfare Association, purchased 10,000 shares of stock in the Rapid Transit Company at an expenditure of about $250,000. From time to time during the last few years, individual employees have bought stock in the company in their own names, until their total holdings exceed 20,000 shares!

About a year ago these same employees volunteered to lend the company, by means of deferred wage payments, $1,000,000. Philadelphia motormen and conductors who were paid a minimum wage of twenty-three cents an hour when Mitten took charge, are now receiving sixty-four cents an hour—during the high wage period of the war the rate went up to seventy-two and a half cents an hour. The agreement between Mitten and his men is that Philadelphia wages shall be the average of carmen's wages in four cities—Cleveland, Chicago, Detroit and Buffalo, all highly organized union cities.

Through the Co-operative Welfare Association an elaborate but practicable plan for co-operative management through committees, half of the members of which are elected by the men while the other half are appointed by the company—has been developed. Grievances are adjusted and working conditions are improved through the medium of these committees. The co-operative association is not affiliated with the American Federation of Labor nor any other labor body.

At the annual meeting of the stockholders on March 15, just past, the Mitten ticket of directors was elected in its entirety—a feat made possible by the house-to-house canvassing that the carmen did in securing stockholders' proxies for Mitten. This ticket put on the board of directors of this $30,000,000 corporation five of the men directly engaged in the operation of the traction company, including John W. McElroy, a fifty-cents-an-hour yard man, who as president of the Co-operative Welfare Association is a direct representative on the board of directors of the 10,000 workers. McElroy, who went to work for the Philadelphia traction company in 1913 as a laborer, was a breaker boy in the anthracite coal mines in Pennsylvania when he was thirteen years old, and was for a number of years an officer in his miners' union.

Under Mitten's management, stockholders in the Philadelphia Rapid Transit Company have received their first dividends in more than a decade!

At a recent mass meeting of the 10,000 employees, Mitten said that the company could meet all expenses, pay a 6 percent dividend for 1922 on the $30,000,000 stock, and produce a big enough net profit to pay the employees a wage dividend not to exceed 10 per cent of their annual wages—*if* the employees would back him in his work. With a shout of approval that, figuratively speaking, was heard all over the country, the employees signified their approval of Mitten and his Men and Management Plan, and pledged him their unqualified support.

How did Mitten do it? What is the key to this achievement? Are the principles of Mitten's Men and Management Plan applicable to other businesses and industries in other parts of the United States?

These are questions that business men everywhere are asking and that should be answered.

It seems like a trite thing to say that the keystone of this Philadelphia achievement is a composition of fair-play and a square-deal. But a thorough and painstaking study and observation of what has happened in Philadelphia in the last ten years forces one to that conclusion. Talk to the motormen and conductors of the trolley cars in Philadelphia and they will tell you that Mitten

has never once fooled them or double-crossed them. Every promise that he has made them he has lived up to!

When Mitten came to Philadelphia and appeared for the first time before the employees of the traction company, he told them frankly what he wanted to do for them and what he believed he could do for them if they would work with him.

Now Thomas E. Mitten is, in every sense of the word, a successful man. He has risen to a commanding position and is recognized as an expert traction man. He has made money. But he has not forgotten his own early struggles nor has he lost touch with the working man and his problems. Curiously enough, it was at the port of Philadelphia that the steamship from England landed in 1875 that included among its steerage passengers this same Thomas E. Mitten, then eleven years old. Since then he has climbed, by dint of hard, practical work, from the very lowest to very nearly—if not the topmost, rung of the ladder.

How Mitten first won the confidence of the trolley-men in Philadelphia and then patiently built up the co-operative organization; how he taught practical salesmanship to conductors; how he helped them—and their wives—put a budget system in their own homes and through home economics applied the principles of economy in the operation of a metropolitan traction company, and how in the course of ten short years out of all this work has emerged the Men and Management Plan with all its extraordinary results, is a story too long to be related in detail here.

MEN KNOW THAT MITTEN KNOWS TRACTION BUSINESS

But there are certain outstanding factors in Mitten's achievement that throw considerable light on his accomplishments. In the first place in addition to his promising a square-deal to the men—and living up to it—Mitten knows the traction business, and the men under him know that he knows it! In a word—and an important word it is—he has to a degree the technique of his business. The other day one of the conduc-

tors in Philadelphia made this statement to a rider:

"I have worked on trolley cars all over this country, and Mitten is the first head of a company that I ever worked for that really knew the traction business!"

Mr. Mitten literally lives on the job. His executive offices and his own home apartment comprise a floor in a large apartment house in the centre of the city. He is at work early every morning—sometimes at three o'clock! He does little or no "outside" talking. He does, however, meet his men frequently, and it is his very frankness in talking with them, plus his ability to speak their language, which is in a large measure responsible for his own success and the success of his Men and Management Plan; here, for example, are a few illustrations of the way he talks to his men.

Incidentally these remarks also throw considerable light on the Mitton philosophy with respect to industrial relations and the extent to which workers should and can participate not only in the management of their own affairs but in the management and in the ownership of the businesses in which they work.

"Twenty-six years ago this spring, I gained recognition by winning a savagely contested car-strike in the city of Milwaukee," said Mr. Mitten. "Twelve hundred men out of work, with families homeless, and children hungry, showed me at what a fearful price such victories are won. The five following years, in direct charge as manager, showed me what fair treatment could be made to do in securing the faithful following of men.

"The combating of old-school prejudices and the awakening of a new consciousness was slow work, admittedly. Pioneering always is. Then, as now, the selfish, the uninformed, the reactionary, each sought to perpetrate stagnation by stifling progress."

Speaking of conditions in Buffalo and Chicago, as he found them when called to those cities previous to his going to Philadelphia, Mr. Mitten says:

"Then, as now, the issues at conflict were sharply defined, and seemingly impossible of reconciliation under old-school methods of approach and treatment. On the one hand, capital

eternally seeking to hire labor at the lowest possible figure, much as it goes into the market to buy material or equipment. And on the other hand, organized labor perennially fighting for ever higher wages, at the same time determined to lessen production by giving the least efficient service."

Mr. Mitten does not exaggerate when he says:

"Philadelphia in 1910—strike-ridden, demoralized, helpless, hopeless, foundering. A pitiful spectacle, the world's masterpiece of the wreckers art. . .

"Philadelphia, in those black days, represented the worst that there was, and so offered me the opportunity to prove what labor could be led to do in the making of new values. . .

"Men and Management have here proved the ability of labor to accept responsibility and, in co-operation with management, produce results heretofore considered impossible of accomplishment. . . .

"This entire situation is quite without precedent. I know of no other organization where the community of interest between employee, management and owner promises so much. In this respect, as in others, we are breaking into ground entirely new. . . .

"I have no hesitancy in saying that when labor here agreed to underwrite capital's return of 6 percent on P. R. T. stock it did something that capital itself has never been able to do. The significance of this will become more apparent as time goes on."

Speaking again to his men on his proposal to pay—or rather to make it possible for them to earn the 10 per cent wage dividend—Mr. Mitten said:

"And let me say that this means more to the workingmen of America than this co-operative wage dividend will mean to you, much as it may mean. It means a new departure; it means that labor, as we represent labor, will come closer to getting what it is entitled to for extra effort."

HOME BUDGETS TAUGHT EMPLOYEES BUSINESS

On this occasion and on every other that offered him an opportunity, Mr. Mitten has stressed

most emphatically the importance of eliminating waste and increasing efficiency. For instance—and he is again speaking to the men:

"I could not have said this to you ten years ago, or five years ago; I could not have said it because you will remember that less than three years ago I told you that it was useless to talk about men helping much in the management until they had learned to manage their own affairs; and that a budget of a household was very little different from the budget of a railroad—you have so much money coming in and so much money going out, and if as much went out as came in, you were no better off.

"The condition of your combined treasury today, with its million and a half of savings, and a quarter of a million dollars cash besides, against the call of your pensions and sick benefits, shows that you are moving forward and that you are becoming a much more responsible people.

"You are today where Men and Management come together with an almost invisible dividing line."

Mr. Mitten says he believes that a world-wide application of the remedy that is being applied to Philadelphia under the Men and Management Plan will soothe the world's unrest. Said he the other day:

"Responsible labor here shouldered the mistakes of capital and built up values to support a return upon the misused investments of P. R. T. stockholders. What this victory really means is that responsible labor is making itself understood to the owners of property, not in the old way, by strikes and unreasonable demands, but by sheer force of accomplishment proving its right to be considered as a partner."

What of the future? Some critics of Mitten have said that the Philadelphia achievement is so dependent on this one man that without him it cannot stand. It is, of course, useless to overlook the fact that Mitten is largely the dominant figure and the driving force. But to his credit it must be said that he is conscious of this fact; that he sees in it, of necessity, a possible weakness and that he aims to so perfect and strengthen the plan that it will bridge that possible gulf and establish itself on a permanent basis of co-operation among a large group of thinking, forward-

looking men. Touching on this very point, he said the other day:

"The organization we are building here, this Mitten Management, is wholly and solely for the purpose of carrying on the work when my time comes; and behind must come the men, pushing, ever pushing, so that it is all one force driving to accomplishment."

It looks as though Thomas E. Mitten and his 10,000 men were writing what might be called a new Co-operative Declaration of Independence in the realm of industrial relations.

WORKING OUT "A SQUARE DEAL"

By O. D. Foster

FOR over two months Philadelphia has occupied the center of the stage with an industrial drama which has drawn the foremost writers of the country to the scene. Newspapers, magazines, all are flooded with the story of how Thomas Mitten, President of the Philadelphia Rapid Transit Company, not only turned a road just ready for the scrap heap into a paying proposition, but has so unified the interests of labor and management that his men are pulling with him as one man to make the road a 100% financial as well as an operating success.

To understand the spirit of the story you should visit Philadelphia, ride on its cars, talk with the men at the barns and car shops and see the improved conditions in their homes. You should know that when Mr. Mitten took hold of the road in 1911, after it had been in existence about nine years, it had spent its entire $30,000,000 capital and was staggering along under an operating equipment utterly incapable of giving even the most indifferent service. Stockholders had had no dividends on their stock. The men were sullen because of the diffi-

Who is This Man Mitten?

He came to this country from England when he was eleven.

He is fifty-eight years young.

He is at his desk each morning at 4:00 A. M., and has done a day's work by the time most people have opened their mail.

He is worth two million dollars. No more, no less. Each year he distributes any surplus, but how and where not even his intimates know.

His personality is positive, forceful in the extreme, he is a man of action, and his word once given is assured.

He runs a system, not an asylum. He does not temporize with disloyalty, dishonesty, drunkenness or disobedience.

He is a builder, not a bluffer, and—

"When he trumps he uses a high card."

cult working conditions, and had been on strike twice within the year. Serious damage had been done to property through labor troubles, the public was utterly disgusted with the whole muddle and everybody was just about ready to quit.

Then E. T. Stotesbury, well-known Philadelphia financier, took a hand. He consented to help straighten out the difficulties if they would send to Chicago for Thomas Mitten, at that time President of the Chicago City Railway Company.

Mr. Mitten had a long record of achievement back of him, for he had adjusted a serious street railway strike in Milwaukee in 1896, had diplomatically averted labor troubles in Buffalo in 1901, had straightened out the Chicago traction tangle and was generally known both among capital and labor as the exponent of "The Square Deal." Mitten responded, and the Philadelphia Rapid Transit Company promptly turned over to a new page in its history.

When he took hold in 1910-11 there existed a deficit of $1,118,609. During the eleven years of Mitten management, the road has earned a surplus of $11,595,494, of which $5,846,514 has been paid in dividends and $5,748,980 has been put back into the property.

When they ask "How did Mitten do it?" Perhaps there is no better answer than Kipling—

"This is the law of the jungle
As old and as true as the sky,
And the wolf that shall keep it shall prosper,
But the wolf that shall break it must die.

"As the ivy that girdles the tree trunk,
The law runneth forward and back,
For the strength of the pack is the wolf,
And the strength of the wolf is the pack."

The annual net earning capacity of the road now stands at about $3,000,000 after all operating expenses, fixed charges and taxes have been paid. This provides $1,800,000 for the 6% dividend on the stock and allows upwards of a million for betterments.

In this restoration the only new capital available was the proceeds of a ten million dollar bond issue, guaranteed by Union Traction in 1912, for which Union demanded and received absolute title to every asset owned by P. R. T., including the Market Street "L". The balance of the financing was accomplished through car trusts, on which the principal and interest were paid from earnings.

Moreover now, in 1922, the traction company's 10,000 employees are working heart and soul for *their* road, and it is *their* road in something more than purely a moral sense, for in March of this year they took a quarter of a million dollars of the money in their Co-operative Welfare Fund, went out into the open market and bought ten thousand shares of P. R. T. stock in order to uphold Mitten management and to still further demonstrate their allegiance and show their confidence in the future of the P. R. T. This makes this company the only organization in the country where every employee is a stockholder.

And how was it that Mitten won over this sullen and discontented group to such loyal allegiance to the interests of his road?

The answer is "By giving them *a square deal.*"

WHAT AND HOW HE DID IT

When Mitten stepped into the tangled network of franchises which had been christened the P. R. T., and took a swift survey of the leases that swallowed up all the money as fast as it came into the treasury; of cars always crowded to capacity and of men whose wages had been reduced to the limit, he made up his mind that only one thing could ever put any such hopeless situation into a semblance of prosperity, and that was by giving everybody concerned—"a square deal."

But the square deal seemed a long way off when it came to accomplishment. The financial condition of the road was such that they could not purchase new equipment to properly care for their passengers when they got them, and the nickels did not pour in fast enough to warrant even the ½ cent an hour increase that had been promised before he came.

As might have been expected, the men could not understand why cars crowded to capacity and no betterment expenditures should not provide enough to mean dividends and better wages. That was why strike after strike had broken up all semblance of discipline throughout the road.

THE MEN WERE TAKEN INTO THE CONFIDENCE OF MANAGEMENT

Mitten made no secret of his intentions or of his system. What he had to have was the co-operation of his men, so straight to his men he went to ask for it. He did not promise them blindly. He told them fairly and squarely just what he was after. He made plain to them the condition of the road. He told them frankly that he could only make them tentative promises, based on their assistance, and what he *would* be able to do for them if they helped him build up a road. He told them that he could do nothing without their united help, and that only through their combined efforts could the P. R. T. continue to exist. He further made it plain to them that if they did not do so, both parties would be out of a job. He did not gloss over the difficulties, in fact he painted them plainly in very conspicuous colors, but *he pointed a way to success.*

It would be foolish to say that the men were won over instantly. They were not. They followed him at first as the only alternative. They recognized in him a dominant leader and a man who plainly knew transit situations and how to handle them. From a sullen following they turned to quiet admiration. Mitten kept his word. He made them improve the service and then he made good his promises. They began to co-operate. Men are not unselfish humanitarians, particularly when they are just fresh from what they feel is "a raw deal." *He*

showed them how it was to their interest to co-operate and they promptly toed the mark.

MAKING GOOD ON HIS PROMISE

As the money began to come in, it was wisely distributed between better wages and new equipment. The men got a toe grip and began to feel their strength. "That guy knows his business and it's up to us to help push" they said wisely, and they pushed. Their pushing makes the story of the P. R. T. At least that is what Mr. Mitten says.

Mr. Mitten also says that ten thousand men working together are bound to make good if they have any kind of proper guidance, and that you can't expect people to turn in and work under adverse conditions unless they have a plain statement of where they are going to get off in case of success.

"I gave them all the assurances I had to give," he said. "I put the case as plainly as I could. After that it was up to their judgment and my ability to demonstrate that I meant what I said." What the men actually did was to pin their faith to a broken down road and then go out and prove they could make it come true.

THE MORAL EFFECT ON THE MEN

With better service and continually improved equipment the road soon began to show returns. The men themselves took an interest in seeing that the service was raised to its highest point. Cars were properly spaced, kept clean and operated with courtesy and consideration. Accidents dropped way below the previous records. The men had had it proved to them that their increase in wages was dependent on just how satisfactorily and how economically they were able to operate the road.

It was a wise lesson. Without capital, labor would starve, yet labor must yield capital fair dividends or the capital would be withdrawn and the enterprise would fail. Bridging the gap was Management, a new factor in the industrial field. Management interpreted capital to labor and made their interests mutual. If Management was slack, both capital and labor suffered, for it weakened the link.

On the other hand, it was plainly the duty of management to prove what labor could be led to do in the making of new values. Mr. Mitten says: "Men and Management have here proved the ability of labor to accept responsibility and, in co-operation with management, produce results heretofore considered impossible of accomplishment. The situation is without precedent. I know of no other organization where the community of interest between employe, owner and management promises so much. We are breaking new ground."

MAKING ECONOMICAL OPERATION A PERSONAL PROBLEM

Another thing which Mr. Mitten made plain to his men from the very first was that if efficiency was to be maintained at its maximum all waste must be eliminated. He drove this lesson home by making it point direct to the men's own private affairs. "If you cannot manage your own home affairs," he said, "and keep track of the relation your income bears to your outgo, budgeting all your private expenses, how can you help in the management of the road?"

One of the fine principles which Mr. Mitten advocates is the value of placing every worker in a position where he recognizes his own responsibility and the need for individual thinking. "A merely obedient group is next to useless," says Mr. Mitten. "Just to follow orders without thought or responsibility is not productive of loyalty, but rather of contempt. It is only where we work thinkingly, with a desire to give and receive the utmost in co-operation, that we are going to put forth the best resources at our individual command and bring to the job the respect without which no genuine work is ever accomplished."

"SUPER-CO-OPERATION"—YOU'LL HEAR OF IT ELSEWHERE

Under this sort of guidance it was only natural that the condition of the P. R. T. should continue to improve. Mitten kept to his ideas in the spirit as well as the letter.

With dividends assured for the coming year, a mass meeting was held this last January, at which time Mr. Mitten told the men of plans to pay them 10% for "super-co-operation" if the earnings were sufficient to make it possible after first paying the stockholders their 6% dividends. They were given to understand very plainly that this would only be possible through the most careful system of management and the elimination of all wasteful practices. In other words the responsibility for producing that extra 10% *was laid directly on the men.*

What have they done about it? Just this: *That dividend is being earned.* Furthermore, by vote of the men this extra money is being placed in a fund which is administered by a committee of their own selection and *is being used to buy P. R. T. stock.*

It is pretty fair to assume that those new stockholders are going to see to it that Philadelphia Rapid Transit Company makes good.

MR. MITTEN ON STREET RAILWAYS

In 1910 the people of Philadelphia averaged less than one ride a day on the street cars of that city—288 during the year to be exact. In 1920 they took 501 rides. This greater use of the cars is a measure of the change in regard in which the Philadelphia Rapid Transit is held by the people of Philadelphia. This change has been largely due to the remarkable co-operation between Mr. Thomas E. Mitten, president of the company, and the employees, in the management and operation of the property.

When Mr. E. T. Stotesbury, the Philadelphia banker, was called upon in 1910 to see what he could do with the almost hopeless situation caused by high financing and poor management of the Philadelphia Rapid Transit Company, he picked Mr. Mitten, then president of the Chicago City Railway Company, to solve the problem. The story of how Mitten, by securing the co-operation of the workers, improved the service to the satisfaction of the riders and increased the earnings so that dividends were paid on the stock, and how the employees bought stock with their savings to defeat a recent attempt to oust Mitten from the management is one of the romances of business. Under this co-operative management, rides per capita in Philadelphia have doubled without increasing the number of men employed.

Mr. Mitten has now written a "handbook" on the traction problem. Philadelphia needs additional rapid transit facilities as does nearly every growing city in the United States. The problem is how to finance the needed extensions. Mr. Mitten's views onthis point should interest every city dweller. The following are paragraphs from his "Rapid Transit Handbook:"

Higher fares discourage riding and interfere with the extension of home building areas, thus nullifying the main justification for use of municipal funds in aid of added transit.

There being no inducement for further investment of private capital, municipal funds, or those secured through assessment of benefited prop-

erty, must be depended upon for future transit development.

Reducing the cost of providing transit by decreasing the rentals or other form of return now being paid to underlying companies has many advocates. Justice, however, prompts the recollection that original pioneers in early transit made no such profit from street railway investment as did those who invested in property abutting street railway lines.

City growth to present areas and city's great advantage by increased taxable values are both in large measure due to pioneers of street railway development, who successfully scrapped horse cars, cable cars, and the original 4-wheel trolley, in favor of improved method and larger cars. This ladder, upon which cities climbed to their present status, cannot in fairness be thrown down without a reasonable consideration of the equities involved.

Philadelphia should take advantage of that most important element left out of account in Boston and New York, and make the property owner pay into the public treasury some portion of his profits from rapid transit development to help pay for its cost.

San Francisco has successfully applied this principle. The Twin Peaks Tunnel project, involving an expenditure of about $4,500,000 was undertaken for the purpose of providing rapid transit to the southwesterly corner of the city, comprising approximately 4,000 acres of desirable home sites, otherwise practically isolated from the business section of the city by the Twin Peaks range of hills. The Bureau of Engineering, City of San Francisco, in a report dated July, 1921, states that the money for this entire project was provided by assessment on the property benefited.

The Board of Local Improvements of the City of Chicago in 1921 recommended the construction of a system of subways. Michael J. Faherty, Chairman of the Board, said: "A subway in any district will result in the landlords boosting rents. The tenant will have to pay the increased rents whether subways are built by special assessment or in other ways. My plan is to make the landlord pay part of his increased in-

come toward subway construction," Mr. Faherty estimated that one-sixth of the additional income-producing power of benefited property would entirely pay for the subway.

Mr. Mitten's "ultimate answer" to the traction problem is:

CITY OWNERSHIP OF ALL SUBWAYS, ELEVATED, AND SURFACE TRACKS.

COST OF ADDED TRANSIT TO BE PROPERLY APPORTIONED AS BETWEEN GENERAL TAXATION AND ASSESSMENT OF BENEFITED PROPERTY.

COMPANY TO SUPPLY CARS, POWER, AND MOVABLE EQUIPMENT, AND OPERATE UNDER LEASE, REVOCABLE BY CITY, WITH ASSURED PROTECTION OF COMPANY'S INVESTMENT AND A REASONABLE RETURN THEREON.

COMPANY OPERATION WITH CO-OPERATIVE ACCOMPLISHMENT REWARDED BY ADDED COMPENSATION TO MEN AND MANAGEMENT.

GIVE PRESIDENT MITTEN HIS CHANCE

A Man Who Can Win the Undivided Loyalty and Affection of Ten Thousand Employes and Can Rehabilitate a Street Car System as He Did With Our Local System Must Have All the Qualities of the "Real Thing"

THE Philadelphia public is hearing much these days of President Thomas E. Mitten of the P. R. T. and the "five directors," who are trying to curtail his managerial powers. From surface evidence at least the general public is back of President Mitten. The workers on the P. R. T. system unquestionably are "back of Mitten to the limit." Because of what Mitten has done individually and collectively for the trolley workers, the employes are willing to follow Mitten from "Hades to breakfast." It looks as though the "right" was pretty nearly all on the side of Mitten. He is generally rated as being the "foremost traction manager" in America. He has given Philadelphia an up-to-date system. He has given the employes an economic vision and a social outlook that is invaluable. He has given the finest sort of an example as how to procure industrial peace in the nation. Despite the fact that Mitten was the best little "union buster" that ever came to Philadelphia it is manifest that even the labor union sympathy is back of Mitten in his fight against the "five directors." The labor unions will not stick to formula against the kind of a man who finds a lot of fun in making life better and brighter for ten thousand of his employes. According to last obtainable reports the score stands high in favor of President Mitten. Here's to a great victory for Mitten, his management and his men!

The really valuable—the invaluable—reform is that which in actual practice works; and therefore the credit due is overwhelmingly greater as regards the men and women actually engaged in doing the job, than as regards the other men and women who merely agitate the subject or write about it.

What is needed is a wise and resolute effort toward co-operation of a character which shall give each worker, so far as possible, a certain interest in the capital with which he works—that is, which shall give the user of the tool some property interest in and control over the tool.

I refuse to assent to the view that either the owners of the property or the workers have interests paramount to the general interest of the public at large.

—*Theodore Roosevelt.*

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